

## Summary/Final Minutes – Work Session – May 30, 2013

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### **Savannah City Government SUMMARY/FINAL MINUTES MAYOR AND ALDERMEN WORK SESSION May 30, 2013 – 11:00 am**

**PRESENT:** Mayor Pro-Tem Van R. Johnson, II, Presiding  
Alderman Tony Thomas, Chairman of Council  
Alderman Mary Osborne, Vice-Chairman of Council  
Aldermen John Hall, Carol Bell, Mary Ellen Sprague, Estella Shabazz

City Manager Stephanie S. Cutter  
City Attorney W. Brooks Stillwell  
Asst. City Attorney William W. Shearouse

**ABSENT:** Mayor Edna B. Jackson (out of town)  
Alderman Tom Bordeaux (out of town)

Mayor Pro-Tem Johnson called the meeting to order.

#### Purchasing and Procurement Process

Joy Kerkhoff, Director of Purchasing gave a presentation on the department's procurement process. She introduced her staff: Laverne Allen, Purchasing Technician with the City 23 years, Neal Schroeder, Buyer - Fire and Leisure Services since July 2012, David Hirsch, Buyer - Public Works Bureau, Management Services and small construction since November 2012, Tangela James, Buyer - Sanitation Bureau, Police Dept., General Administration and the airport since December 2012, Molly Dilbeck, Assistant Director – Water Resources Bureau, all IT purchases and large construction projects since March 2013. Gwen Rogers with the City almost 26 years oversees the Central Warehouse Division, and Shawnte Coles with the City about four years is their Administrative Clerk who may soon become a Purchasing Technician. Ms. Kerkhoff said these two warehouse employees stepped in last summer to assist with the backlog, were instrumental in training new staff on the software system and helped to reduce the accumulated workload. She said they would have fallen totally apart if not for Ms. Rogers and Ms. Coles and she wanted to let them know how grateful she was for all their hard work. The warehouse serves all City departments, maintains about a \$300,000 inventory and their overall accuracy rate is in the high 90 percentile. Other warehouse staff not present at the meeting but acknowledged were: Natisha Barnes, Surplus Disposal Process, Ayonnah Scott, Administrative Clerk, and storekeepers Thomas Ferguson and Kevin Smith.

Ms. Kerkhoff defined procurement as the process for acquiring goods and services that includes planning and scheduling with departments, source selection which defines the method, prepares documents, advertising, evaluation, and receiving goods and services, and contract administration which guarantees that terms of the contract are met. She said the importance of procurement is to safeguard public funds, ensure efficiency and effectiveness, build public and supplier confidence and meet public policy and the law. The goal of purchasing is to provide

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customers with all required materials, services and information at the time and place required, in the specified quantity and at the lowest possible cost. The most effective way to accomplish these goals is to maximize competition. This creates a greater selection, provides better products, improves the quality, lowers prices, vendors and taxpayers both perceive fairness and equity in the process, and it is the backbone of procurement. She discussed the purchasing ordinance and other legal requirements that direct the procurement process: Uniform Commercial Code which defines legal contracts, both the Sherman Anti-Trust Act and the Clayton Anti-Trust Act which preserve competition, the Davis Bacon Act that establishes fair wages to be paid, the Federal Trade Commission Act which prohibits unfair competition, the Federal Acquisition Regulation (FAR) which guides federal procurement, and state and local laws consisting of the Code of Ordinances and various policies that define procurement activities. The City of Savannah's Code of Ethics, the National Institute of Governmental Purchasing's (NIGP) Code of Ethics, Principles and Practices, membership in professional organizations and professional certification all help govern procurement practices. Alderman Sprague asked how long it took to become certified, and Ms. Kerkhoff said it's extensive and requires several hours of face-to face classroom time along with a three-hour exam. She had to complete approximately 100 hours of classroom work when she was certified.

Alderman Bell asked for a definition of "unfair competition" and if ascribing to Minority and Women Business Enterprise (WMBE) is part of the ordinance. Ms. Kerkhoff explained unfair competition is where there are restrictions that limit who can actually bid on a specific requirement or everyone might not get notified about the bid opportunity which would create unfair conditions; and WMBE is part of the ordinance. Alderman Sprague asked how contract administration is conducted. It depends on the type of contract, but each department handles the day-to-day issues. The departments work directly with vendors, and the Buyers assist with contract negotiations when needed. Alderman Bell inquired about the contract expiration notification process and Ms. Kerkhoff said when they put contracts into place there are beginning and expiration dates listed on the cover page of each contract. Alderman Osborne asked if there were any flags to alert them of an expiring contract. Ms. Kerkhoff said Purchasing can run a report to notify the department, but they do not notify the bidders of their contract expirations. Alderman Sprague said that there are a lot of complaints regarding bundling and asked how they decide when to bundle versus when to break up contracts. Ms. Kerkhoff said often it depends on the commodity and the dollar amount of the items.

Alderman Bell asked about the role of Purchasing and other departments throughout the process. Alderman Osborne asked what the usual timeframe was from the initial request to the final payment. Ms. Kerkhoff said it depended on the dollar amount, but once items are received payment is made within 30 days. Alderman Hall asked if the approval portion of the process can sometimes clog up the system. She said the purchase order portion along with untrained staff did slow the system down in the past. Alderman Sprague asked why more vendors don't choose to bid on city projects, how they can get more solicited bids, and what are deemed acceptable gifts from vendors. She also asked if the ordinance was modified to include consultant contracts over \$25,000 since the City Manager can override Council on these. Ms. Kerkhoff presented a flowchart showing each step of the purchasing process and cycle and described the three keys to purchasing 1) Types, 2) Authorization and Approval Levels, and 3) Methods. Types include small and large one-time purchases, annual contracts and construction projects, and professional and general services. Authorization and approval levels start at Department Director with limits

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up to \$1000; Purchasing Director from \$1000-\$3000; City Manager from \$3000-\$25,000 and City Council amounts over \$25,000. Methods are comprised of competitive sealed bids (ITB) and competitive sealed proposals (RFP) both over \$25,000, best value procurements which are construction projects over \$500,000, informal quotations via RFQ, email or fax quotes under \$25,000, and emergency purchases and sole source procurements of any dollar amount but still requiring approval. She described the advantages and disadvantages of sealed bids and sealed proposals. A sealed bid has an objective evaluation process, full disclosure of bid contents once opened, is awarded to the lowest responsive and responsible bidder meeting specifications and a detailed description of goods and services is required. A sealed proposal has a subjective evaluation process, allows discussion and negotiation with proposer prior to the award, evaluates other criteria, allows selection of best value, provides competitive and creative solutions and is awarded to the best proposer meeting the criteria. The disadvantages ranged from sealed bids only able to consider low bids meeting specifications and having to specify the complete scope of work to the award often going to the proposer with higher fees due to factors in evaluation criteria and no initial public disclosure for sealed proposals. Mayor Pro-Tem Johnson asked how the City defines “local” and Alderman Osborne asked who does the evaluating with sealed proposals. Ms. Kerkhoff said directors and bureau chiefs do the evaluating and sometimes an RFP might be cross-functional so multiple departments are involved in the process. Alderman Bell asked if Purchasing was the gatekeeper. The response was yes, they check and analyze the questionnaire’s content. Ms. Cutter stated that the final decision rests with her as she is the ultimate gatekeeper. Alderman Hall wanted to know the criterion for government RFP’s and requested a copy of the award portion of the purchasing ordinance. Alderman Osborne asked who makes the decision for the short list and Mayor Pro-Tem Johnson asked what the benefit of this list was. Alderman Sprague asked who chooses the selection team, and Ms. Kerkhoff said it depends on the scope and size of the contract.

The bid process timeline usually requires eight weeks and twelve weeks is typically required for the RFP process timeline. Small purchases over \$3000 are approved by the City Manager and are required to be competitively solicited. Emergency purchases are defined by city code and must obtain approval after the fact. Sole source purchases must be justified and documented, reviewed by the Purchasing Department and must obtain approval based on value. Operating departments share in the responsibilities for procurement by planning for future major purchases and obtaining quotes for small dollar purchases under \$1000 and \$3000 for some delegated departments. Bidders are located through advertisement in the Savannah Morning News which is the only legal requirement. The NGIP commodity code is a supplier portal registration that is utilized for bidders. Additional sources are the internet, other agencies, online directories and third-party bid notification services. Preference programs are used as well and are designed to achieve important goals. Local preferences are defined by corporate city limits. The business tax license and the City can match a low bidder if within 2% of the low bid, within 3% if a local MWBE, and within 4% if a local MWBE is in a targeted CDBG corridor. The MWBE program has goals for construction over \$100,000 and is established independently of the Purchasing Department. Their participation is encouraged and departments are required to seek quotes from an MWBE on small dollar purchases. Ms. Kerkhoff stated that only perishable and innocuous items such as pens and cookies are acceptable gifts from vendors.

Alderman Sprague asked how purchasing staff is trained and asked if there was a red flag for firms that do not have a NGIP code. Ms. Kerkhoff teaches Purchasing 101 and said there is not a

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red flag system, but going forward these companies will get notified that their registration form is incomplete. Alderman Thomas asked if they have looked at other cities and the response was yes since 2000. Alderman Osborne asked if Purchasing knows how to get on the big list and wondered if there are change orders under CMR. Ms. Kerkhoff said there are limited change orders under CMR, but the City hasn't used this for 20-25 years. Alderman Shabazz inquired about the MWBE program and asked when solicitations are rejected. She also asked how often best value is used. Ms. Kerkhoff said in the past year it was used about 7 or 8 times, but she will get the specific numbers for 2012. Alderman Osborne asked Ms. Cutter why they haven't used CMR, can she look into this and who decides on the method. Ms. Cutter said she will do some analysis on CMR and report back and the assistant city managers keep her abreast of relevant information for choosing the most efficient method. Alderman Bell asked if firms have to reregister, and Ms. Kerkhoff said no they don't have to register to bid, but need to keep their information up-to-date.

The presentation continued with a discussion on construction procurement that covered the City's process for construction, the four different procurement methods, and contract modifications/change orders that often arise for three major reasons. The discussion concluded with an update on the corrective action plan and a review of how far the Purchasing Department has come since September 2012 to May 2013.

### Council broke for lunch

City Manager Stephanie Cutter presented the City Manager's Briefing of the agenda items for the Council Meeting of May 30, 2013. The agenda is attached and made a part of the permanent record.

Alderman Van R. Johnson, II adjourned this meeting.

A handwritten signature in black ink that reads "Dyanne C. Reese". The signature is written in a cursive, flowing style.

Dyanne C. Reese, MMC, Clerk of Council